

## **CALCULATION OF FINAL AVERAGE SALARY**

A.C.A. § 24-7-202, A.C.A. § 24-7-602, and A.C.A. § 24-7-705  
(SEE ALSO POLICY NOS. 7-3 AND 7-4.)

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### **DEFINITIONS**

1. **Salary** means the remuneration paid to a member by an ATRS participating employer on which the employer withholds federal income tax. This includes all salary “picked up” by the employer including employee contributions to a qualified retirement plan, deferred compensation plan, or cafeteria plan. For remuneration paid other than in cash, salary is the amount reported to the Internal Revenue Service for income tax purposes.
2. **Final Average Salary** means the average of the salaries paid to a member by a participating employer during the fiscal year ending June 30 used in calculating a member’s retirement annuity under A.C.A. § 24-7-705.
3. **Participating Employer** means an employer who participates in the Arkansas Teacher Retirement System whose employees are eligible for membership under A.C.A. § 24-7-501 or other applicable law.

### **REGULATIONS**

1. The Board of Trustees may set the number of years used in calculating a member’s final average salary at no less than three (3) years or more than five (5) years.
2. For purposes of calculating a member’s final average salary, the System will include salary received from all participating employers during a fiscal year.
3. When calculating final average salary, the following limits shall apply:
  - A. The System shall rank the member’s highest salary years from lowest to highest. The lowest salary year shall be considered the initial base year. Except for the base year, the highest salary years shall be reduced to the extent either exceeds 120% of the prior year’s salary, subject to the limitations in ACA § 24-7-202(27)(c).
  - B. However, if a salary year used in calculating final average salary does not constitute salary for a full service year, the next highest salary year shall not be reduced although it may exceed by 120% or more the next highest or highest year.

4. For purposes of determining if a salary year constitutes a full service year, The following shall be excluded from the limits under No. 3 above:
  - A. Any salary year which constitutes member service during two (2) or fewer quarters in a fiscal year; or
  - B. Any salary year that constitutes less than one (1) year of service credit under the schedule set forth in ATRS Policy No. 7-2.
5. If a member is retiring with a retirement effective date other than October 1, January 1, April 1, or July 1, no salary paid to a member for the last year worked shall be counted in calculating a member's final average salary.
6. Regardless of any provision in statute or regulation to the contrary, salary or other compensation paid which exceeds the limitations set forth in Section 401(a)(17) of the Internal Revenue Code shall be disregarded. The limitation on compensation for "eligible employees" shall not be less than the amount allowed under the System in effect on July 1, 1993. For this purpose, an "eligible employee" is an individual who was a member of the System before the first plan year beginning after December 31, 1995.
7. If a conflict exists between the statute or policy governing the treatment of a member's salary between the participating employer's laws or policies relating to compensation and the calculating of a member's final average salary for benefits, the System's laws and regulations shall control.

**RULES** (Amended by Act 146 of 2005, and Act 1325 of 2009).

1. Effective April 1, 1998, when calculating a member's final average salary, the System shall calculate final average salary using the three (3) years in which the member received the highest salary from a participating employer subject to the foregoing limitations.
2. The final average salary used for members with reciprocal service shall be the highest salary years credited by either the ATRS participating employer or the reciprocal system under ACA § 24-7-402.
3. For members who are retiring and who are employed in agencies or other institutions that use the state 26-week payroll, employers should report to Teacher Retirement the salary, contributions, and actual days worked through the current year payroll period. Contributions should not be withheld on any salary earned after the close of the current year's payroll, nor should any salary or days of service be reported for that period.

4. For members who are retiring and who are employed by employers using a fiscal year ending June 30, employers should report to the System the salary contributions, and actual days worked through the current fiscal years ending June 30. Contributions should not be withheld on any salary earned after the end of the current fiscal year, no should any salary or days of service be reported for that period.
5. For retiring members, employee contributions remitted on salary paid after the end of the current fiscal year or current year payroll period, whichever applied, will be refunded as promptly as possible.
6. In case of any dispute concerning a member's final average salary, the Board shall have the authority to decide the dispute.

**Amended:** August 11, 1998  
July 18, 2005  
June 16, 2009 (Emergency)  
October 5, 2009 (Permanent)